

FOR ACTION

I. REQUEST

Approve an Extension to Resolution No. 129, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Halawa View II Project Located in Aiea, Oahu, TMK No.: (1) 9-9-003: 026 (por.)

II. FACTS

Project Information:

Project Name:	Halawa View II		
Awardee:	Halawa View II, L.P.		
TMK and Location:	TMK No.: (1) 9-9-003: 026 (por.) (pending CPR) 99-009 Kalaloa St. Aiea, HI 96701		
Land Tenure:	Fee Simple		
Project Type:	New Building		
Target Population:	Family		
Length of Affordability:	56 Years		
Affordability Restrictions:	8 units @ 30% AMGI 24 units @ 40% AMGI 93 units @ 50% AMGI 30 units @ 60% AMGI 1 Manager's unit <hr/> 156 Total Units		
Projected Unit and Rent Mix:	Units	Unit Type	Rent / Mo. *
	1	Studio Unit	\$524
	3	Studio Unit	\$733
	11	Studio Unit	\$947
	3	Studio Unit	\$1,159
	3	1-Bedroom Unit	\$550
	9	1-Bedroom Unit	\$776
	35	1-Bedroom Unit	\$1,003
	13	1-Bedroom Unit	\$1,229
	4	2-Bedroom Unit	\$688
	12	2-Bedroom Unit	\$905
	47	2-Bedroom Unit	\$1,208
	14	2-Bedroom Unit	\$1,453
	1	2-Bedroom Manager's Unit	N/A
*Net of Utility Allowance			
Estimated Completion:	First Building – N/A (one building) Project Completion (Last Building) – October 2024		

<i>Type of Construction:</i>	Metal frame construction on concrete slab foundation. 18-story residential tower on a 7-story parking podium.
<i>Amenities and Services:</i>	Project amenities: playground/tot lot, picnic area, community room, fitness room, management office, laundry rooms, elevators. Unit amenities: range, refrigerator, disposal.
<i>Floor Area:</i>	81,948 sq. ft. Residential Area <u>50,606 sq. ft. Common Area</u> 132,554 sq. ft. Total
<i>Developer:</i>	Halawa View II, L.P. Contact – Joe Michael 1820 W. Kettleman Ln., Ste. D Lodi, CA 95242 (209) 747-2636
<i>Contractor:</i>	Nordic PCL Construction Inc. Contact – Wendy Matsukawa 808-541-8138 1099 Alakea Street, Suite 1600 Honolulu, HI 96813
<i>Property Manager:</i>	Mark Development, Inc. Contact – Craig Watase 3165 Waialae Ave., Ste. 200 Honolulu, HI 96816 (808) 735-9099

ORIGINAL APPROVAL DATE: July 11, 2019
EXPIRATION DATE: January 31, 2022
REQUEST FOR EXTENSION: January 31, 2023

- A. On July 11, 2019, the Hawaii Housing Finance and Development Corporation (HHFDC) Board of Directors approved the following for the benefit of Halawa View II (Project):
1. \$40,200,000 intended tax-exempt issuance from the Hula Mae Multi-Family (HMMF) Bond Program (Resolution No. 129) (Exhibit A);
 2. \$2,664,038 in annual Federal Low Income Housing Tax Credits (LIHTC) over a ten-year period and \$2,664,038 in annual State LIHTC over a five-year period from the non-volume cap pool (4% LIHTC); and
 3. A Rental Housing Revolving Fund (RHRF) loan of up to \$21,300,000. (NOTE: Pursuant to Act 237, SLH 2015, the Rental Housing Trust Fund was reclassified as a Rental Housing Revolving Fund, effective July 14, 2015.)
- B. On October 8, 2019, the Governor provided preliminary approval to issue approximately \$40,200,000 in revenue bonds for the Project.
- C. On January 14, 2021, the HHFDC Board of Directors approved an extension of Resolution No. 129 to January 31, 2022 from January 31, 2021.

- D. On November 24, 2021, Halawa View II, L.P. (Awardee) requested to extend Resolution No. 129 (Exhibit B).

III. DISCUSSION

- A. The proposed Project is a 156-unit (includes 1 manager's unit) affordable rental housing facility targeted for families. Improvements shall consist of an 18-story residential tower built over a 7-story parking podium. The Project shall share the parking podium and a 1-story common entry building with Halawa View III.
1. The Project is the second of three phases. Phase I is an existing 121-unit (includes 1 manager's unit) family affordable rental housing facility consisting of one (1) 14-story and two (2) 3-story residential buildings. Phase I was the subject of a 9% LIHTC and RHRF supported acquisition/rehabilitation in 2014.
 2. The third phase, Halawa View III, is a concurrently planned 146-unit (includes 1 manager's unit) affordable rental housing facility targeted for families. The 18-story Halawa View III tower shall be built over the same parking podium as Halawa View II.
 3. The Awardee plans to combine Halawa View II and Halawa View III into one project under one ownership.
- B. The Awardee is a single-asset, real estate holding company, specifically established to develop, own, and operate the Project. The Administrative General Partner is Hawaii Pacific LLC. The Managing General Partner is Hawaii Community Development Board. The Special General Partner is Mark Development Inc.
1. David Michael and Joseph Michael own Hawaii Pacific LLC. The Michaels are experienced LIHTC developers with a concentration in California. The Michaels are involved in two (2) LIHTC projects in Hawaii. A third project recently completed construction in December 2020.
 2. Hawaii Community Development Board is a 501(3)(c) corporation and is involved in three (3) LIHTC projects in Hawaii. A fourth project completed construction in December 2020 (same project with Hawaii Pacific LLC).
 3. Mark Development, Inc. is an experienced affordable housing manager and developer. Mark Development was involved in the development of three (3) LIHTC projects in Hawaii. A fourth project completed construction in June 2020.

C. The proposed Financing Structure is as follows:

Source	Interim	Permanent
Sponsor Equity	\$ 0	\$ 0
LIHTC Equity	6,632,792	33,163,957
HMMF Bond*	35,105,000	11,390,000
RHRF Loan	19,000,000	21,300,000
Deferred Developer Fee	3,926,398	422,127
Other Deferred Costs	1,611,894	0
Total	\$ 66,276,084	\$ 66,276,084

* Authorized issuance of up to \$40,200,000 compared to budgeted use of \$35,105,000. The \$5,095,000 excess represents a cushion against budget increases with respect to the 50% Test requirement. To maximize 4% LIHTC eligible basis, tax-exempt proceeds must cover at least 50% of land and depreciable assets.

D. The proposed Project Budget and Use of Funds is as follows:

Budget/Cost Item	Amount	Per Square Foot	%
Land Acquisition	\$ 445,000	\$ 3.36	0.67
Construction – Sitework	650,000	4.90	0.98
Construction – Vertical	42,628,204	321.59	64.32
Construction – Contractor Profit	6,037,309	45.55	9.11
Interim & Soft Costs	4,919,620	37.11	7.42
Financing & Syndication Costs	3,171,934	23.93	4.79
Developer’s Fee	3,926,398	29.62	5.92
Developer’s Overhead	926,068	6.99	1.40
Project Reserves	1,105,775	8.34	1.67
Contingency	2,465,776	18.60	3.72
Total	\$ 66,276,084	\$ 499.99	100.00

E. The Project’s estimated construction timeline is as follows:

1. Building permits – November 2022
2. Construction Start Date – December 2022
3. First Building Completion – N/A
4. Project Completion (One Building) – October 2024

F. HHFDC evaluated the extension request based on progress made on three (3) basic milestones of site control, zoning approvals, and securing financing commitments.

Site Control: Awardee has site control through an Assignment and Assumption Agreement.

Zoning Approvals: Project Conforms to Zoning Requirements.

On September 8, 2019, the Department of Planning and Permitting (DPP) of the City and County of Honolulu determined that the Project was exempt from the State Environmental Assessment requirements (Hawaii Revised Statutes Chapter 343). The Office of Environmental Quality Control published the Project’s exemption in its Environmental Notice on October 8, 2019.

On September 9, 2020, the Honolulu City Council approved the 201H Zoning Exemptions (201H) for the Project.

On November 3, 2021, Awardee obtained a Minor Modification to the Project’s 201H from DPP to account for building design changes required to comply with new flood zone requirements.

The Awardee continues to work on obtaining approval of the Project’s building permits as well as final approval from the Disability and Communication Access Board (DCAB).

Financing Commitments: The Awardee continues to work with Citibank on the sale of tax-exempt bonds and Hunt Capital Partners, LLC on the syndication of Federal and State LIHTC.

- G. The Inducement Resolution is required under Section 1.150-2 of the Treasury Regulations before the project’s sponsor acquires or commences construction of the development.

Inducement Resolution No. 129 does not authorize the sale of tax-exempt bonds for the Project. Section 147(f) of the Internal Revenue code requires that all private activity bond obligations be approved by the “applicable elected representative of the affected governmental units” after a public hearing. Thus, staff will present a subsequent resolution to the Board requesting approval for the actual issuance, sale, and delivery of the bonds, if it is deemed feasible.

Furthermore, the bond issuance is subject to (i) availability of volume cap and (ii) approval by the Department of Budget and Finance and the Governor.

- H. Staff recommends an extension to January 31, 2023.

IV. RECOMMENDATION

That the HHFDC Board of Directors approve the following:

- A. Extend the deadline to issue HMMF Bonds for the Halawa View II Project to January 31, 2023 and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

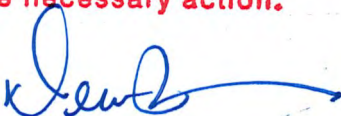
Attachments: Exhibit A – Resolution No. 129
Exhibit B – Request for Extension dated November 24, 2021
Exhibit C – Project Location Map and Pictures

Prepared by: Christopher Oakes, Finance Specialist II CO

Reviewed by: *for* Darren K. Ueki, Finance Manager DPK
Approved by The Board of Directors at its meeting
For Action – December 9, 2021 **on DECEMBER 9, 2021**

FINANCE BRANCH

Please take necessary action.



EXECUTIVE DIRECTOR

RESOLUTION NO. 129

RESOLUTION SETTING FORTH THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION'S OFFICIAL INTENT TO ISSUE MULTIFAMILY HOUSING REVENUE BONDS TO UNDERTAKE THE FINANCING OF THE HALAWA VIEW II PROJECT

WHEREAS, Part III of Chapter 39 and Part III of Chapter 201H, Hawaii Revised Statutes, as amended (collectively, the "Act"), authorize the Hawaii Housing Finance and Development Corporation (the "Corporation") to issue bonds to provide moneys to make mortgage loans to assist in developing, constructing, and providing housing for persons of low and moderate income;

WHEREAS, Halawa View II, L.P. (the "Borrower"), has requested that the Corporation issue and sell multi-family housing revenue bonds (the "Bonds") pursuant to the Act for the purpose of financing the development and construction of a multifamily residential development commonly known as Halawa View II, which may be combined with the development of Halawa View III into one phase, located on approximately 2.00 acres in the City and County of Honolulu (the "Project");

WHEREAS, the Corporation, in the course of assisting the Borrower in financing the Project, expects that the Borrower has paid or may pay certain expenditures (the "Reimbursement Expenditures") in connection with the Project within 60 days prior to the adoption of this Resolution and prior to the issuance of Bonds for the purpose of financing costs associated with the Project on a long-term basis;

WHEREAS, §1.150-2 of the United States Treasury Regulations (the "Regulations") requires the Corporation to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent borrowing;

WHEREAS, the Corporation wishes to declare its intention to authorize the issuance of Bonds for the purpose of financing costs of the Project (including reimbursement of the Reimbursement Expenditures), when so requested by the Borrower upon such terms and conditions as may then be agreed upon by the Corporation, the Borrower and the purchaser of Bonds in an aggregate principal amount not to exceed forty million two hundred thousand dollars (\$40,200,000), and if combined with Halawa View III, in an aggregate principal amount not to exceed eighty million two hundred thousand dollars (\$80,200,000);

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Hawaii Housing Finance and Development Corporation, as follows:


Section 1. The Board of Directors finds and determines that the foregoing recitals are true and correct.

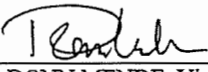
Section 2. This resolution is made solely for purposes of establishing compliance with the requirements of §1.150-2 of the Regulations. This resolution does not bind the Corporation to make any expenditure, to issue Bonds or otherwise to incur any debt or to proceed with the Project.

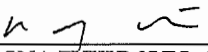
Section 3. The Corporation hereby declares its official intent to issue Bonds for the purpose of financing costs of the Project by lending the proceeds to the Borrower, which may use the proceeds of Bonds, if and when issued, to reimburse the Reimbursement Expenditures and pay other costs of the Project.

Section 4. This resolution shall take immediate effect from and after its adoption.

The Undersigned hereby certify that the foregoing Resolution was duly adopted by the Directors of the Hawaii Housing Finance and Development Corporation on July 11, 2019.


LEILANI PULMANO, Chair


DONN MENDE, Vice Chair

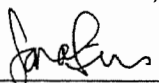

RONA FUKUMOTO, Secretary


MELVIN KAHELE, Director


GEORGE ATTA, Director


GARY MACKLER, Director

NEAL MIYAHIRA, Director


SARA LIN, Director


for MIKE MCCARTNEY, Director



November 24, 2021

Mr. Jay Nakamura
Hawaii Housing Finance Development Corporation
677 Queen Street, Suite 300
Honolulu, Hawaii 96813

RE: Halawa View II and Halawa View III – Rental Housing Revolving Funds (RHRF) & Hula Mae Multi-Family (HMMF) Tax Exempt Revenue Bonds – Request for Extension

Dear Mr. Nakamura,

On behalf of Halawa View II, LP and Halawa View III, LP; we kindly request an extension to the deadlines for the issuance of HMMF Bonds and for the closing of the RHRF Loans for the Halawa View II and Halawa View III projects that will be combined into one project and one partnership under Halawa View II, LP.



View from Kamehameha Highway of Halawa View II & III (combined into one joined Tower)

Over the last year, the project team has been aggressively moving the project forward while overcoming uncontrolled delays that the project has encountered. The following pages include some of the milestones that have been met in 2021 and our estimates for 2022 forward.

EXHIBIT B

2021 Milestones

Merging of the Towers - At the end of 2020, the Architect and Engineer completed a merge of the original two tower design (one tower for Halawa View II and one tower for Halawa View III) into one combined/joined tower. (See Rendering above)

Minor Modification to 201H Approvals

Since the City of Honolulu's 201H Approval for Halawa View 2 and 3 on September 9, 2020; a change to the flood zone designation occurred which required a modification to the project design to comply with the new flood requirements. The building footprint had to be shifted away from the Halawa Stream and out of the newly designated floodway. Other minor adjustments to the building and parking garage design were required to accommodate that flood zone change while still meeting height and setback requirements.

Additionally, the United States Navy had to be notified of the changes and the Navy's approval of the change was required. The project obtained Navy approval on March 1, 2021. The building plans were then altered, and the Minor Modification Request was submitted to the City and County of Honolulu Department of Planning and Permitting (DPP) in July 2021 and the Minor Modification to the 201H was approved by DPP on November 3, 2021. (See Minor Mod Resolution attached)

RFP & Selection of General Contractor

In May 2021, the project team drafted a Request for Proposals for a General Contractor and in June 2021 the RFP was issued. The project team received and viewed six (6) proposals, conducted interviews with each team and concluded with a selection of Nordic PCL in July 2021.

Design Assist/Value Engineering

Nordic PCL assisted the project team in an extensive design assist effort that involved analysis of the existing construction drawings, performed quantity take-offs, and gathered multiple bids from various trades and subcontractors on all project components to develop a detailed cost breakdown. This 3-month effort that was concluded in October 2021 and resulted in an 8.5% reduction in costs from the original design. One major design change was to the building foundation design which equated to substantial saving while preserving the integrity of the foundation and structure. Construction Drawings were updated to capture the design assist changes and will be submitted to DPP in December 2021.

Meetings with DPP

Over the last two years, our project team has had constant dialogue with DPP due to the 201H approval in 2020, the Minor Modification to the 201H in 2021, and through meetings with various DPP departments as well as the Disability and Communication Access Board (DCAB) to discuss current codes and incorporate the various new requirements into the design of the building and all building systems.

Plan Submittals for Permits

The final Construction Drawings, based on the Design Assist efforts with Nordic PCL; requirements from the United States Navy for the protection of National Security; and feedback from various meetings with the City Departments to meet current codes and requirements are now complete and will be submitted to DPP and DCAB the week of December 20, 2021. The pre-submittal meeting with the Director of DPP will occur on December 2, 2021.

EXHIBIT B

We will be separating the permits into two applications: (1) for Grading and Site Work and (2) for the rest of the project (Landscape, Parking Garage, Residential tower, Building Signage) in addition to the separate submittal to DCAB. Based on our past projects in Honolulu, we are estimating the receipt of our Grading Permit in May/June 2022 and receipt of the DCAB approval and Building Permit in November 2022. However, we acknowledge that there have been recent changes at DPP with the Director, various Department Heads, staff and with procedures that may impact the anticipated schedule.

Future Milestones Timeline

Closing Date - The Closing Checklist and Closing Documents will be processed simultaneously with the Building Permits so that once Building Permits are approved, we will close within the month and start construction. Therefore, we are estimating a Closing and start of construction in December 2022.

Civil/Grading Permit

- Final Plans & Specs for Civil/Landscaping – December 2021
- Civil Plan Submittal to DPP – December 2021
- Civil Plan - City Review Duration – 6 months
- Grading Permit Issuance – May/June 2022

Building Permit

- Final Plans & Specs for Building – Completed December 2021
- Building Plan Submittal to DPP – December 2021
- Building Plan – City Review Duration – 10 months
- Building Permit Issuance – November 2022

Construction Bidding

- General Contractor RFP – Completed June 2021
- General Contractor Design Assist/Cost Control– Completed October 2021
- Update Pricing for Final Construction Cost Breakdown– April 2022
- Construction Contract Execution – July 2022

Loan Documents & Closing

- Predevelopment Loan – closed June 2021, ongoing funding
- LPA Final Agreement – March 2022
- Loan documentation – April 2022
- Loan + Equity Closing and Funding – November 2022

Construction Schedule

- Preconstruction Activities – Ongoing
- Procurement of Materials – January 2022 through August 2022
- Construction Start Date – December 2022
- Grading Completion – March 2023
- Foundation Completion – July 2023
- Parking Structure Completion – December 2023
- Certificate of Occupancy – October 2024
- Landscaping Completion – November 2024

Lease Up

- Initial Marketing Outreach - May 2024
- First Move ins- October 2024
- Lease up Schedule – anticipating 25 units per month
- 100% occupancy – September 2025

EXHIBIT B

We remain very excited about this project and the support for the project from the neighborhood; Neighborhood Board; Honolulu City Council; HUD; and HHFDC. We are eager to start construction upon building permit issuance and deliver 302 brand new units to individuals and families that truly need quality housing.

Should you have any questions, please feel free to contact me at (209) 473-9707. Much mahalo for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Joe Michael". The signature is written in a cursive, flowing style.

Joseph Michael
President, Pacific Development Group – Developer
Member of Hawaii Pacific LLC - General Partner of Halawa View II, LP and Halawa View III, LP
1820 W. Kettleman Lane, Suite D, Lodi, CA 95242
Joe@PacificDG.com

EXHIBIT B

PROJECT MAP & PICTURES:

Halawa View II
99-009 Kalaloe St.
Aiea, HI 96701
TMK No.: (1) 9-9-003: 026 (por.) (pending CPR)

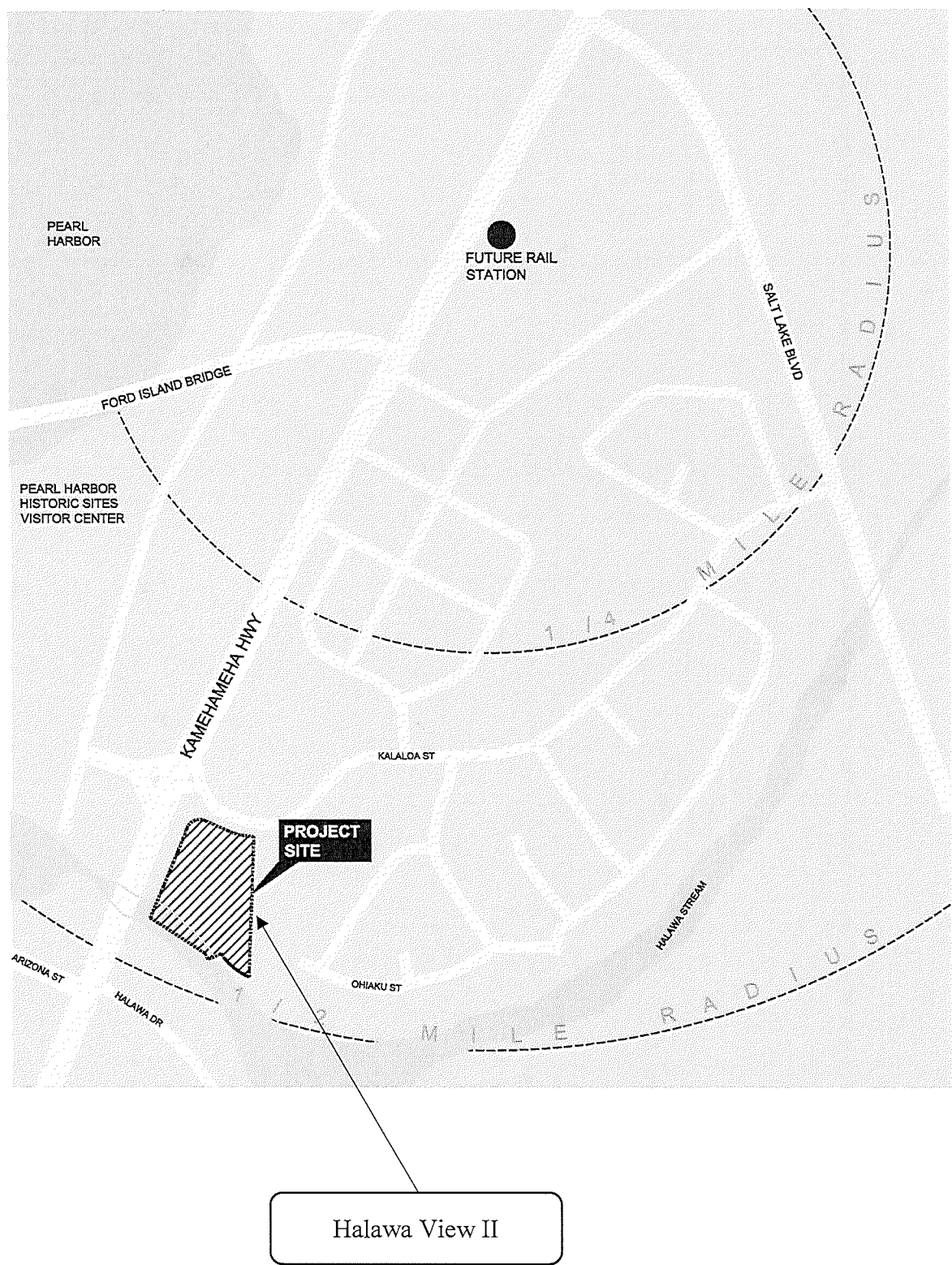


EXHIBIT C



EXHIBIT C